

Message Text

LIMITED OFFICIAL USE

PAGE 01 EC BRU 06170 01 OF 02 081924Z

64

ACTION EUR-12

INFO OCT-01 ISO-00 AGR-05 CEA-01 CIAE-00 COME-00 DODE-00

EB-07 FRB-03 H-02 INR-07 L-03 LAB-04 NSAE-00 NSC-05

PA-01 AID-05 CIEP-01 SS-15 STR-04 TAR-01 TRSE-00

USIA-06 PRS-01 SP-02 OMB-01 /087 W

----- 093418

R 081707Z JUL 75

FM USMISSION EC BRUSSELS

TO SECSTATE WASHDC 9220

INFO ALL EC CAPITALS 867

LIMITED OFFICIAL USE SECTION 1 OF 2 EC BRUSSELS 06170

PASS AGRICULTURE FOR STARKEY, SINDELAR

E.O. 11652: N/A

TAGS: EAGR, EEC

SUBJECT: EC COUNCIL DECISION OF JULY 23-24 ON FRUITS AND
VEGETABLES

REF: A. EC BRUSSELS 5738; B. EC A246; C. EC A-407 OF 12/27/74;

D. EC A-58 OF 2/8/73; E. ROME 9221; F. BONN 10396

1. BEGIN SUMMARY: ADDITIONAL DETAILS CONCERNING THE MEASURES IN
THE FRUIT AND VEGETABLE SECTOR AGREED TO AT THE RECENT COUNCIL OF
MINISTERS MEETING HAVE BEEN FURNISHED BY THE COMMISSION. THE
COMMISSION DOES NOT EXPECT THE MEASURES TO BE IMPLEMENTED BEFORE
THE END OF SEPTEMBER. POSSIBLE NEGATIVE IMPLICATIONS FOR U.S.
TRADE INTERESTS COULD BE (A) THE ADMINISTRATIVE FORMALITIES OF
THE CERTIFICATE SYSTEM WHICH WILL INCLUDE A SURETY DEPOSIT
(B) THE SAFE GUARD SYSTEM, EXPECTED TO BE SIMILAR TO THE SYSTEM
IN FORCE FOR FRESH FRUITS AND VEGETABLES, DETAILS OF WHICH ARE
NOT YET AVAILABLE AND (C) INCREASED PREIUMS FOR PROCESSING AND
MARKETING IN THE CITRUS SECTOR. THE LATTER MEASURES, ON THE OTHER
HAND, ENTAIL LIMITS ON INCREASES IN FUTURE REFERENCE PRICES FOR
LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 EC BRU 06170 01 OF 02 081924Z

ORANGES AND A REDUCTION IN THE CURRENT LEMON REFERENCE PRICE

THAT MAY BE OF SOME BENEFIT TO THIRD COUNTRY EXPORTERS. THE BENEFITS OF THE "LIBERALIZATION" OF THE PROCESSED FRUIT AND VEGETABLE TRADE TO THE U.S. ARE, HOWEVER, NEGLIGIBLE. END SUMMARY

2. THE MISSION APPORACHED OFFICIALS IN THE EC COMMISSION FRUIT AND VEGETABLE DIVISION TO ASCERTAIN FURTHER DETAILS OF THE EC MEASURES AGREED UPON FOR THE FRUIT AND VEGETABLE SECTOR AT THE JULY 23-24 COUNCIL MEETING (REPORTED IN REFTEL A AND REFAIR B). THEY ESTIMATED THAT THE DECISIONS FOR FRESH AND PROCESSED FRUITS AND VEGETABLES WOULD PROBABLY NOT BE IMPLEMENTED BEFORE THE END OF SEPTEMBER. IN THE CASE OF THE MEASURES CONCERNING FRESH FRUIT, THE ADVICE OF THE EUROPEAN PARLIAMENT IS STILL REQUIRED.

3. IMPORT CERTIFICATE SYSTE: THE COMMISSION OFFICIALS RE-EMPHASIZED THAT THIS IS A CERTIFICATE RATHER THAN A LICENSING SYSTEM -- I.E., THAT CERTIFICATES MUST BE GRANTED UNLESS THE SAFEGUARD CLAUSE IS INVOKED. AS PER REFTEL A, THEY INDICATED THAT THERE WILL BE AN OBLIGATORY DELAY OF 5 DAYS BEFORE THE CERTIFICATE IS ISSUED AND IT WILL BE VALID FOR 75 DAYS. THE 75-DAY PERIOD OF VALIDITY DOES NOT HAVE TO BEGIN AT THE TIME OF APPROVAL BUT MAY INSTEAD BE REQUESTED FOR A SPECIFIED PERIOD (FOR EXAMPLE, SIX MONTHS) IN THE FUTURE. A SURETY WILL BE REQUIRED; THE AMOUNT (NOT YET SPECIFIED) WILL BE COMPARABLE TO THAT APPLIED "IN OTHER AGRICULTURAL SECTORS." WHILE THE COMMISSION CLAIMS THE CERTIFICATE IS MERELY A STATISTICAL FORECASTING DOCUMENT, THE SYSTEM WILL, OF COURSE, MAKE EXPORTING TO THE COMMUNITY MORE ONEROUS.

4. THE RULES GOVERNING THE INVOCATION OF THE SAFE GUARD, OR ESCAPE, CLAUSE FOR PROCESSED FRUIT AND VEGETABLES HAVE NOT YET BEEN SPECIFIED, AND ITS EFFECT ON TRADE IS NOT YET CLEAR. HOWEVER, ACCORDING TO OUR SOURCES, THE RULES WILL BE SIMILAR TO THOSE IN FORCE FOR FRESH FRUITS AND VEGETABLES. THE REGULATION GOVERNING THE USE OF THE SAFEGUARD CLAUSE FOR FRESH FRUITS AND VEGETABLES (REG NO. 2707/72, REPORTED REFAIR D) PROVIDES FOR THE SUSPENSION OF IMPORTS OR EXPORTS (OR THE IMPOSITION OF EXPORT CHARGES) SHOULD THEY CAUSE, OR ARE LIKELY TO CAUSE, SERIOUS DISTURBANCES ON THE MARKET, WHEN MEASURED AGAINST A SERIES OF STATED CRITERIA.

LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 03 EC BRU 06170 01 OF 02 081924Z

5. THE BENEFITS TO THE U.S. RESULTING FROM THE "LIBERALIZATION" OF THE PROCESSED FRUITS AND VEGETABLE SECTOR (I.E., THE REMOVAL OF NATIONAL QUANTITATIVE RESTRICTIONS) ARE NEGLIGIBLE. THE MOST IMPORTANT RESTRICTIONS FROM THE U.S. POINT OF VIEW ARE EITHER NOT COVERED (CITRUS JUICES TO ITALY) OR WERE ALREADY SUPPOSED TO BE ELIMINATED ON JANUARY 1, 1975 AS A RESULT OF GATT ARTICLE XXIII CONSULTATIONS WITH FRANCE IN 1972/73 (CANNED PEACHES, DRIED PRUNES).

6. MIP FOR TOMATO CONCENTRATE: THE MIP WILL BE DETERMINED ON THE BASIS OF 5 CONSIDERATIONS. IN DESCENDING ORDER OF IMPORTANCE, THEY ARE: (A) THE COST PRICE (PRIX DE REVIENT) OF THE DOMESTIC PRODUCT OVER THE PREVIOUS 2 YEARS; (B) DUTY-FREE PRICES OF IMPORTED PRODUCTS OVER THE PREVIOUS 2 YEARS; (CC) PRICES IN PRINCIPAL WORLD MARKETS; (D) THE GOAL THAT THE EFFECT OF THE MIP SHOULD NOT BE MORE RESTRICTIVE THAN THE MEASURES FORMERLY APPLIED IN THE MEMBER STATES; AND (E) THE GOAL THAT THE MIP SHOULD "CONTRIBUTE TO THE NORMAL AND HARMONIOUS DEVELOPMENT OF COMPETITION WITH THIRD COUNTRIES." ACCORDING TO COMMISSION OFFICIALS, THE MIP IS EXPECTED TO BE SET IN THE RANGE OF 580-600 U.A. PER METRIC TON, A LEVEL WELL BELOW CURRENT HIGH MARKET RATES.

7. THE IMPORT CERTIFICATE SYSTEM FOR TOMATO CONCENTRATES WILL BE OPERATED DIFFERENTLY FROM THAT FOR THE OTHER PRODUCTS IN THAT THERE WILL BE NO DELAY IN THE DELIVERY OF CERTIFICATES AND A "DOUBLE SURETY" WILL BE REQUIRED. THE "DOUBLE SURETY" WILL CONSIST OF THE NORMAL SURETY PLUS AN ADDITIONAL ONE TO GUARANTEE THAT THE MIP IS RESPECTED. THIS ADDITIONAL SURETY WILL BE USED IN LIEU OF A COMPENSATORY TAX TO ENFORCE THE MIP.

8. PENETRATION AND PROCESSING PREMIUMS: THE INCREASED USE OF THESE SUBSIDIES, WHICH APPLY IN INTRA-EC TRADE ONLY, COULD CREATE PROBLEMS FOR US AND OTHER THIRD COUNTRY EXPORTERS SINCE THEIR AMOUNT WILL NOW BE SUBSTANTIAL. THE 11 PERCENT INCREASE IN THE PENETRATION PREMIUMS FOR ORANGES WILL NOW BRING THEM UP TO ABOUT 27 PERCENT OF THE AVERAGE 1973/74 ITALIAN WHOLESALE PRICE; FOR LEMONS, THEY WILL REPRESENT ABOUT 17 PERCENT (COMPARED WITH ZERO UP UNTIL NOW). THE EXTENSION OF THE PROCESSING PREMIUM FOR ORANGES WILL MEAN THAT AS MUCH AS 25-50 PERCENT OF THE PROCESSOR'S RAW MATERIAL COSTS COULD BE SUBSIDIZED.

LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 04 EC BRU 06170 01 OF 02 081924Z

LIMITED OFFICIAL USE

NNN

LIMITED OFFICIAL USE

PAGE 01 EC BRU 06170 02 OF 02 081930Z

64

ACTION EUR-12

INFO OCT-01 ISO-00 AGR-05 CEA-01 CIAE-00 COME-00 DODE-00

EB-07 FRB-03 H-02 INR-07 L-03 LAB-04 NSAE-00 NSC-05

PA-01 AID-05 CIEP-01 SS-15 STR-04 TAR-01 TRSE-00

USIA-06 PRS-01 SP-02 OMB-01 /087 W

----- 093581

R 081707Z JUL 75

FM USMISSION EC BRUSSELS

TO SECSTATE WASHDC 9221

INFO ALL EC CAPITALS 868

LIMITED OFFICIAL USE SECTION 2 OF 2 EC BRUSSELS 06170

PASS AGRICULTURE FOR STARKEY, SINDELAR

9. THE RULES ESTABLISHED GOVERNING THE FUTURE FIXING OF THE PENETRATION PREMIUMS AND REFERENCE PRICES FOR ORANGES ARE SOMEWHAT DIFFERENT FROM THE PRELIMINARY VERSION REPORTED IN REFTEL A, PARA 7. PERCENTAGE INCREASES IN PENETRATION PREMIUMS CANNOT BE GREATER THAN PERCENTAGE INCREASES IN THE BASIC AND PURCHASE PRICES BUT DO NOT REPEAT DO NOT HAVE TO EQUAL THESE INCREASES. ON THE OTHER HAND, PERCENTAGE INCREASES IN THE REFERENCE PRICE CANNOT BE GREATER THAN THE DIFFERENCE BETWEEN (A) THE PERCENTAGE INCREASE IN THE BASIC AND PURCHASE PRICES AND (B) THE PERCENTAGE INCREASE IN THE PENETRATION PREMIUMS. THUS, IF BOTH THESE PRICES AND THE PREMIUM WERE INCREASED BY THE SAME PERCENTAGE, THE ALLOWABLE INCREASE IN THE REFERENCE PRICE WOULD BE ZERO.

10. THE PROCESSING OR TRANSFORMATION PREMIUMS FOR ITALIAN ORANGES FOR THE 1974/75 MARKETING YEAR WERE REPORTED IN REFAIR C. THESE PREMIUMS HAVE BEEN PAID SINCE JANUARY 1, 1970. UP TO NOW, HOWEVER, THE PROCESSOR HAS ONLY BEEN PAID FOR ORANGES IN EXCESS OF THE AVERAGE TONNAGE HE PURCHASED FOR PROCESSING IN THE 1966/67-1968/69 BASE PERIOD. THE COUNCIL HAS NOW DECIDED TO PAY THE PREMIUM FOR THIS BASIC TONNAGE ALSO. EC PROCESSORS MUST PAY A

LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 EC BRU 06170 02 OF 02 081930Z

MINIMUM PRICE IN ORDER TO QUALIFY FOR THE PREMIUMS. THE PREMIUM IS EQUAL TO ABOUT 25 TO 50 PERCENT OF THIS MINIMUM PRICE DEPENDING ON QUALITY. WHILE THE PREMIUM IS AIMED PRIMARILY AT ENCOURAGING THE PROCESSING OF ORANGES OF THE BIONDO COMMUNE VARIETY, IT IS APPARENTLY NOT RESTRICTED TO THAT VARIETY.

11. THE PENETRATION PREMIUM OF 4.7 U.A./100 KG FOR ITALIAN LEMONS IS VIEWED AS COMPENSATION FOR (A) THE GIVING UP OF "CONVENTIONAL" PRICES (SAID TO BE WORTH 1.2 U.A. PER 100 KG TO THE ITALIAN

PRODUCER) AND (B) THE ELIMINATION OF TRANSPORT COSTS FROM THE CALCULATION OF THE REFERENCE PRICE (SAID TO BE WORTH 3.5 U.A./100 KG). "CONVENTIONAL" PRICES, SOMEWHAT ABOVE THE REFERENCE PRICE, WERE SET WITH RESPECT TO CERTAIN MEDITERRANEAN COUNTRIES AS A PRECONDITION FOR PREFERENTIAL TREATMENT. THEY HAD PREVIOUSLY BEENDROPPED FOR ALL PRODUCTS EXCEPT LEMONS. THE INCIDENCE OF TRANSPORT COSTS ON THE LEMON REFERENCE PRICE IS ESTIMATED AT 3.5 U.A./100 KG; THUS, OTHER THINGS BEING EQUAL, IT SHOULD DROP BY ABOUT THAT AMOUNT.

12. THE STRENGTHENING OF REFERENCE PRICES DECIDED ON IN THE COUNCIL MEETING IS ACCCORDING TO COMMISSION OFFICIALS A MINOR TECHNICAL ADJUSTMENT. WHEREAS THE REGULATION PREVIOUSLY PROVIDED FOR THE IMPOSITION OF COMPENSATORY TAXES WHEN PRICES FELL A CERTAIN AMOUNT BELOW THE REFERENCE PRIVE FOR TWO CONSECUTIVE DAYS, IT WILL NOW BE REVISED TO PROVIDE ALSO FOR THEIR IMPOSITION WHEN THREE "BAD" PRICES ARE OBSERVED WITH A 5 - 7 DAY PERIOD. APPARENTLY, CERTAIN IMPORTERS HAD DEVELOPED THE TECHNIQUE OF FLOODING THE MARKET WITH LOW-PRICED GOODS ON ALTERNATE DAYS, THEREBY CIRCUMVENTING THE REFERENCE PRICE MECHANISM. MYERSON

LIMITED OFFICIAL USE

NNN

Message Attributes

Automatic Decaptoning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: AGRICULTURAL PRODUCTION, IMPORTS, MINISTERIAL MEETINGS, PRICES
Control Number: n/a
Copy: SINGLE
Draft Date: 08 JUL 1975
Decapton Date: 01 JAN 1960
Decapton Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: KelleyW0
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975ECBRU06170
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D750235-0827
From: EC BRUSSELS
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19750774/aaaacnwp.tel
Line Count: 243
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EUR
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 5
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 75 EC BRUSSELS 5738, 75 EC A246, 75 EC A-407, 75 OF 12/27/74
Review Action: RELEASED, APPROVED
Review Authority: KelleyW0
Review Comment: n/a
Review Content Flags:
Review Date: 22 APR 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <22 APR 2003 by SmithRJ>; APPROVED <15 OCT 2003 by KelleyW0>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
06 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: EC COUNCIL DECISION OF JULY 23-24 ON FRUITS AND VEGETABLES
TAGS: EAGR, EEC
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 06 JUL 2006